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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001070

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [EAID](#) [EFIN](#) [MOPS](#) [IZ](#)  
SUBJECT: DPM SALIH: TIME IS RIGHT FOR BIG MOVES ON BASRAH  
RELIEF, RECONSTRUCTION

Classified By: EMIN - Amb. Charles Ries, Reasons E.O. 12958 1.5 (b,d)

¶1. (C) SUMMARY: In a cordial and far ranging conversation at the DPM residence April 6, EMIN introduced to DPM Barham Salih incoming Anti-Corruption Coordinator Ambassador Lawrence Benedict and discussed economic/reconstruction measures the GOI can take in coming days to solidify gains from the security operations in Basrah and elsewhere in Southern Iraq over the last two weeks. EMIN urged the GOI to implement quickly the PM's recent \$100 million pledge for humanitarian relief, reconstruction and employment activities in the South; encouraged Salih to consider using a private firm to run and help secure the port of Um Qasr; and pressed him to consider a "big idea" proposal similar to the major reconstruction plans sketched out in the Embassy's "Iraq 2020" discussion paper. Salih accepted EMIN's comments, said the GOI has designated Acting Minister of Justice Safa al-Safi to run Basrah relief; said he'd visit Karbala to ensure speedy disbursement of the \$100 million relief funds; expressed concern that Um Qasr needed continued IA presence; and revealed that he was working on a major reconstruction proposal that is "bigger than Iraq 2020" and would focus on building hospitals, schools, sports centers, roads, rails and irrigation systems. Responding to EMIN's comment that housing represents an important unfulfilled need, Salih agreed the time is right to support renewed efforts in this sector also. Salih was decidedly negative - due to corruption concerns -- on payment in kind (i.e. oil liftings) for major oil firms participating in the new TSA's proposed by MOO Shahrastani. Barham closed the meeting with a cautionary note on prospects for passage of the hydrocarbons laws -- saying the political climate is not yet propitious. End Summary.

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TAKING THE INITIATIVE ON RELIEF  
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¶2. (C) In a cordial meeting at DPM Barham Salih's residence April 6, EMIN Ambassador Charles Ries, accompanied by STRATEFF MG Mark Zamzow, visiting NSC Iraq Director Brett McGurk, and emboffs, introduced newly arrived USM-I Anti-Corruption Coordinator Ambassador Lawrence Benedict (reported septel), and discussed how the GOI can use economic levers to take advantage of its momentum from the security operations in Basrah to cement popular support. EMIN noted that PM Maliki's recent \$100 million pledge for Basrah-related relief and reconstruction is a good start but it must be implemented quickly and effectively. Responding to EMIN's query, Salih said that the GOI had designated Acting Justice Minister Safa al-Safi to manage the effort. Al-Safi would be remaining in Basrah to take this on. He would chair a special committee, comprised of deputy ministers from the service ministries, to manage disbursement of the \$100 million. This set up would be endorsed by the Council of Ministers on Tuesday. Salih himself wants to go

down to Basrah later this week. EMIN offered USM-I support to facilitate that trip if needed.

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UM QASR MANAGEMENT  
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13. (C) Turning to Um Qasr, EMIN gave Salih the proposed package for requesting bidders to run the port (note: this document had previously been shared with Deputy Transport Minister Bengin), stressing that the GOI needed to move quickly to regularize its operations. Salih said the PM agreed on the idea of putting out the South Port Container facility for a concession, but was not supportive of using private contractors to provide security; the PM believes the Iraqi Army, having secured the port, needs to retain a visible presence there. EMIN pointed out that the two were not mutually exclusive and that a private firm could manage daily security issues such as badging, record keeping, and the like, while the IA provided physical security on the perimeter. It would be important for the port to have international credibility both from ISPS certification, EMIN said, and from having a respected international firm running the port. He said this would likely pay off in the long run for Iraqi consumers in reduced transshipment and insurance costs. Salih said he would be supportive but that the USG would need to take this up with the PM.

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BIG IDEAS FOR RECONSTRUCTION  
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14. (C) On broader reconstruction, EMIN urged the GOI to propose a "Big Idea" similar to that sketched out in the

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Embassy's "Iraq 2020" discussion paper. Now was the time he said, to take advantage of momentum from the Basrah security operations to use the burgeoning oil export resources of the GOI to solidify public support. Salih agreed, and said he was working on a major reconstruction package that would be "bigger than Iraq 2020." This \$5 billion package of infrastructure spending would focus on items that were already in preparation, and would build scores of hospitals, schools, and sports centers, roads and rails, and two major irrigation projects in Mosul and in the south. The money would be controlled and programmed either by the Higher Reconstruction Committee, or by a central committee comprising the PM, Salih, and line Ministers. The GOI would seek to bypass the bureaucracy and jump-start the program by disbursing 20 percent of awards to contractors up front. Salih is preparing a package of briefing slides on the proposal which he will try to get in front of the PM as soon as possible, and will seek to have announced, even if in outline form, by the PM at the COM session on Tuesday. He will share the document with us as soon as it's ready.

15. (C) EMIN noted that the GOI plan didn't mention housing, which is a very important unfulfilled need in Iraq. Salih replied that he was to meet with the Embassy's relevant Senior Advisor on Monday, and that current discussions focused on private sector driven housing development. EMIN commented that private sector housing development typically goes hand in hand with government support for infrastructure, which could cost hundreds of millions of dollars. A major housing infrastructure initiative could be an additional element in the GOI's infrastructure package, and it would also appeal to Sadrist interests (and blunt their criticisms of the GOI). Salih agreed and said he would pursue an initiative that would announce that the state was taking a responsibility, would allocate funding, and would allocate land for housing development.

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CHARY OF TSA PAYMENT-IN-KIND  
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¶6. (C) EMIN asked Salih's view on the proposed payment-in-kind for major oil companies participating in the Technical Service Agreements, which Oil Minister Shahrستاني recently asked the USG to comment on. Salih was decidedly negative on payment in kind, since it opens up opportunities for corruption "which we are very capable of exploiting." EMIN then asked Salih's assessment of prospects to move the hydrocarbons legislation. Salih said KRG PM Nercivan Barzani will be coming to Baghdad on Thursday, April 10 to discuss this and other issues. The PM, he said, was "in a good mood now" and so it was a good opportunity to push him on all of these issues, but he cautioned that progress could "easily degenerate on the smallest of things."

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OPTIMISTIC ON POLITICAL CONSOLIDATION  
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¶7. (C) In a particularly animated aside, Salih mentioned that the PM was feeling pretty good after the Basrah successes. Salih noted that the Sadrists were very docile at the last meeting of the COR, and in his view were in trouble. The PM, he said, had insisted that the security operations are continuing and that the cordon around Sadr city will remain until either the JAM permits the IA to enter peacefully, or the IA takes it by force. He insisted that the real humanitarian problems were caused by the Sadrists. This is a message the PM must get out.

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